

Henderson Ridge Consulting, Inc.

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January 15, 2015

Louisiana Public Service Commission
Brandon Frey
Executive Counsel
602 North Fifth Street (Galvez Building)
P.O. Box 91154
Baton Rouge, Louisiana 70821-9154

Re: RFP 14-26

Entergy Gulf States, LLC's Upcoming Filing Regarding Acquisition of two power blocks located at the Union Power Station

Dear Brandon,

Henderson Ridge Consulting ("HRC") is pleased to respond to the Louisiana Public Service Commission's ("the Commission") December 24, 2014 Request For Proposal ("RFP") that seeks to retain an independent technical consultant to assist the Commission Staff in the review and analysis of Entergy Gulf States, L.L.C.'s ("EGSL") upcoming filing regarding the acquisition of two power blocks located at Union Power Station ("UPS") from Union Power Partners ("UPP") and Entegra.

Project Scope

The proposed work plan of Henderson Ridge Consulting is structured as a potential three part analysis of EGSL's power block purchase request in recognition that the project scope depends upon whether the transaction satisfies the Commission's October 28, 2008 General Order for exemptions to the MBM Order due to unsolicited offers. HRC ensures a thorough review of:

- A. If applicable, a request by EGSL for an exemption from the Commission's Market Based Mechanism ("MBM") Order resulting from the unsolicited nature of the offer to purchase the two power blocks;
- B. If needed, MBM bid evaluation processes, project selection, contract terms and other technical analyses in the event the purchase of the two power blocks do not meet the criteria for exemption from the MBM Order; and

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- C. EGSL's filing seeking certification relating to two power blocks totaling 990 MW of capacity.

The purchase will be assessed from a financial perspective as well as how well the unit enhances Entergy System reliability. Unless EGSL seeks an exemption, the project is subject to the Commission's Market Based Mechanism Order in Docket No. R-26172, Subdocket C. In the certification phase, the Companies must demonstrate that the two power blocks will provide resources that are consistent with the requirements of the 1983 Certification Order, i.e., to provide reliable service at the lowest reasonable cost.

Experience of Henderson Ridge Consulting

Henderson Ridge Consulting is experienced with the resource planning practices of major investor-owned electric utilities. We are well-acquainted with the basic resource supply objectives of electric utilities and how reliability concerns are interrelated with production cost minimization, generation portfolio enhancement, and risk mitigation efforts. Over the years, several of our engagements on behalf of the Louisiana Public Service Commission have required the review of Entergy's integrated resource planning practices. We have analyzed the Integrated Resource Plan submitted by Entergy, including proposed Demand Side Management programs. In addition, we have examined the short and long term contracts for capacity additions entered into by Entergy Louisiana, LLC ("ELL") and EGSL. We are currently representing the Commission in the 2014 Request by Entergy Services, Inc. for Proposals for Long-Term, Supply-Side Developmental Resources in Amite South.

Henderson Ridge Consulting has extensive experience with the filings and applications of the Entergy operating companies. Our firm has conducted the evaluation of the annual Formula Rate Plan filings of EGSL during the period of 2004 through 2012. We completed the first phase of the most recent audit of ELL's Fuel Adjustment Clause ("FAC") filings and are engaged in the second phase. In the course of that audit, we have examined each of the Purchased Power Agreements that ELL has entered into with affiliates and third parties and is seeking recovery of through the FAC. In addition to these engagements on behalf of the Commission, we examined the Joint Application of ELL and EGSL that requested an increase in each of the Companies' nuclear decommissioning revenue requirement. Our firm conducted audits of the Companies' storm restoration expenditures incurred as a result of the 2005, 2008, and 2013 hurricanes. We have performed all of the audits of the Companies' avoided cost calculations which began with the audit of the 2003 cost information. We have also conducted the initial audit of the Federal Environmental Adjustment Clause filing submitted by ELL and EGSL.

As discussed above, Henderson Ridge Consulting is familiar with the operations of ELL and EGSL, including a recent review of the Companies' transmission system construction plans and dispatch of its generating fleet. Henderson Ridge Consulting has

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reviewed the list of minimum requirements identified in RFP 14-26. Our firm is experienced with each of the minimum requirements and can readily satisfy this group of professional standards that the Commission expects of its expert consultants. The copy of our firm resume that is attached to our response to the RFP provides additional background on our experience.

Proposed Work Plan of Henderson Ridge Consulting

Based upon Henderson Ridge Consulting's prior experience with LPSC-jurisdictional electric utilities' filings that are subject to the Commission's MBM Order, the review of Entergy's upcoming filing may take two paths with each requiring its own work plan to complete the project. We have developed a unique work plan that addresses each anticipated scenario. Our detailed work plan is included with our proposal as a separate attachment.

Scenario 1: Henderson Ridge Consulting will conduct the requested review of EGSL's acquisition of the two power blocks located at the UPS, including an opinion of whether the acquisition meets the exemption requirements of the Commission's MBM Order, should an exemption be requested by Entergy. If an exemption from the MBM Order is granted, we estimate the budget for services will be \$47,520.00 with expenses not to exceed \$4,000.00 for a total budget of \$51,520.00. The projected number of hours to complete the engagement under this scenario totals 352 hours at a rate of \$135 per hour.

Scenario 2: If an exemption from the MBM Order is not granted, it is assumed that the MBM RFP process will begin followed by the certification process. Under this scenario, we estimate that the budget for services will be \$77,220.00 with expenses not to exceed \$8,000.00 for a total of \$85,220.00. The projected number of hours to complete the engagement under this scenario totals 572 hours at a rate of \$135 per hour.

Conflict of Interest Statement

Henderson Ridge Consulting has no known conflicts of interest in representing the Louisiana Public Service Commission in this proceeding.

We appreciate the opportunity to respond to the RFP and look forward to working with the Commission and its Staff on this important project.

Sincerely,

William Barta
Principal